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Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future

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Combating Trademark Squatting in China: New Developments in Chinese Trademark Law and Suggestions for the Future

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Abstract: This Note explores the phenomenon of trademark squatting in China. Several characteristics relating to the development of Chinese Trademark Law, such as the first-to-file and multi-class application system, as well as the inherent complexities of the Chinese language, contributed to creating an environment amenable to trademark squatting. New developments in China, including a December 2011 opinion from the Supreme Court and a recent amendment to Chinese Trademark Law, signal that the country is moving forward towards stronger protection of intellectual property. However, these changes will likely not be enough to prevent trademark squatters from targeting well-known foreign trademarks, since they still do not address key factors that allow trademark squatting to persist. Until China addresses these concerns, practitioners and businesses should be aware of the difficulties of protecting trademarks in China, and they should take measures to intelligently guard their intellectual property.

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I. INTRODUCTION

When Apple tried to introduce its wildly popular iPhone into one of the biggest markets in the world, China, the company was in for an unpleasant surprise.[1] Though Apple had made the first application for the iPhone trademark with the Chinese Trademark Office (CTMO) in 2002, they only filed in a subclass for "computers and computer software."[2] Soon after, a Chinese company called Hanwang Technology registered the iPhone mark under the proper subclass that included "phones and mobile phones."[3] Apple fought in vain to reclaim the mark, and it ultimately lost in its opposition at the CTMO as well as in an appeal to the Trade Mark Review and Adjudication Board (TRAB).[4] Apple reluctantly paid the $3.65 million to Hanwang Technology for rights to the trademark.[5]

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[1] Peter Ollier, *Apple's Trade Mark Woes in China*, 215 MANAGING INTELL. PROP. 47, 47 (Dec. 9, 2011).
[2] *Id.*
[3] *Id.*
[4] *Id.*
[5] *Id.*; Peter Ollier, *iPad Loss Highlights Squatting Concerns*, 215 MANAGING INTELL. PROP. 46, 46

Hanwang Technology is an example of a "trademark squatter," a term defined as "a company or individual who registers another party's brand name as a trademark and then uses the trademark in connection with the sale of counterfeit goods or in an effort to otherwise profit from the goodwill of the genuine brand name owner."[6] Once the registration is approved, the trademark squatter becomes the rightful owner of the trademark and has rights that can prevent the original brand name owner from using its mark, both in connection with the sale of products there and in connection with the manufacture of products for export.[7] Trademark squatting in China is a big roadblock for multinational corporations that are looking to enter the Chinese market, and it has affected a spectrum of well-known businesses, including Apple,[8] Chivas Regal,[9] Land Rover,[10] Ferrari,[11] Remy Martin,[12] and Hermès.[13] Sports stars like Kobe Bryant[14] and Michael Jordan have also been affected.[15]

(Dec. 9, 2011).

[6] Patricia E. Campbell & Michael Pecht, *The Emperor's New Clothes: Intellectual Property Protections in China*, 7 J. BUS. & TECH. L. 69, 78 (2012).

[7] *Id.*

[8] Ollier, *supra* note 5.

[9] In 2012, Chivas Regal failed in its opposition of a squatter's application for the "Chivas Regal 88 & Device" mark on clothing. The court held that Chivas Regal was not well known in China at the time of the squatter's application. He Jing, *Chivas Regal Lost Trademark Fight in China*, ZY PARTNERS LEGAL NEWSLETTER (Mar. 15, 2012), http://www.zypartners.com/zjys/Blog/show_e.asp?newsid=97.

[10] British car maker, Land Rover Group Ltd., fought for ten years against Chinese automaker, Geely, to reclaim the mark "luhu," or "陸虎" in traditional Chinese. *10 Year Trademark Saga Between Gleely* [sic] *and Land Rover Comes to an End?*, PATENT BRIC (May 2, 2011), http://patentbric.com/?p=133.

[11] The Beijing First Intermediate Court held that Ferrari's prancing horse design was not well known in China, allowing a Chinese department store to register and use the mark in clothing. Jing Luo & Shubha Ghosh, *Protection and Enforcement of Well-Known Mark Rights in China: History, Theory and Future*, 7 NW. J. TECH. & INTELL. PROP. 119, 141–50 (2009).

[12] E. Remy Martin & Co. has filed a judicial appeal with the Beijing First Intermediate People's Court after the Trademark Review and Adjudication Board denied its opposition against the trademark application for "人头马," or "Ren Tou Ma" (a word that is widely associated with Remy Martin's XO within China), in the computer category. He Jing & Gu Ting, *Remy Martin and Chanel are Fighting Hard with Trademark Pirates in China*, ZY PARTNERS LEGAL NEWSLETTER (Oct. 21, 2011), http://www.zypartners.com/zjys/Blog/show_e.asp?newsid=71.

[13] Hermès, a luxury brand based in France, lost its trademark dispute in China against a menswear company that had registered the name "爱玛仕" (Ai Ma Shi), after neglecting to register the Chinese translation of Hermès, which is "爱马" (Ai Ma). The two marks contain very similar Chinese characters with the same pronunciation. Ann Yan, *China: Hermes and Chivas—The Disadvantages of Not Being the First to File Applications for Trade Marks in China*, MONDAQ (last updated Apr. 2, 2012), http://www.mondaq.com/x/170806/Trademark/Hermes+and+Chivas+The+Disadvantages+of+Not+Being+the+First+to+File+Applications+for+Trade+Marks+in+China.

[14] The Trademark Review and Adjudication Board denied Nike's opposition to a Chinese individual who registered the name of Los Angeles Lakers star Kobe Bryant in Class 18, which covers items such as handbags and wallets. Peter Leung, *Kobe Bryant Fights for Chinese Trade Mark*, 222 MANAGING INTELL. PROP. 31, 31 (July 18, 2012).

[15] *Id.* ("Michael Jordan filed a lawsuit against Qiaodan Sportswear, which registered the Chinese version of his name, ('Qiaodan').").

The significance of the Chinese market has increased exponentially in recent years with the modernization of the Chinese economy. In 2011, China had already overtaken Japan as the world's second-biggest economy.[16] Although the United States' economy is currently almost three times the size of China's economy, at its current rate of growth, analysts see China replacing the United States as the world's top economy in about a decade.[17] The World Intellectual Property Organization (WIPO), which gathers IP statistics from ninety IP offices around the world, reported that in 2009, the CTMO received a quarter of all trademark applications worldwide.[18] Even after adjustment for differences between single-class and multi-class filing systems,[19] China still had 2.3 times more trademark-filing activities than the second highest country, the United States.[20]

With the increasing importance of the Chinese market in international trade, protection of trademarks against trademark squatters is of much interest to many foreign businesses entering China. This Note attempts to illuminate the reasons why trademark squatting has proliferated in China as well as examine recent developments in China's Supreme Court. It also concludes with a discussion of whether the new amendment to China Trademark Law will actually allow trademark owners to combat squatters.

Part II traces the development of Chinese Trademark Law, beginning with the pre-modern era and extending through post-Mao Zedong times, by looking at both the modern development of trademark law and the external and internal forces that pushed modernization forward. Part III examines the current Chinese Trademark Law in further detail. It focuses specifically on those characteristics that create an environment in which trademark squatting can more easily occur. Part IV discusses recent developments in China in the form of Supreme Court opinions and an upcoming amendment to trademark law. Part IV also discusses whether these developments will be enough to battle trademark squatters. Finally, in Part V, this Note ends with practical suggestions for practitioners seeking to protect trademarks in China.

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[16] *China Overtakes Japan as World's Second-Biggest Economy*, BBC NEWS (Feb. 14, 2011), http://www.bbc.co.uk/news/business-12427321.

[17] *Id.* According to the World Bank, China's $8.22 trillion economy is now the second largest in the world, compared with the $15.68 trillion U.S. economy. Lee Kuan Yew, *Once China Catches Up—What Then?*, FORBES (Sept. 17, 2013, 11:40 AM), http://www.forbes.com/sites/currentevents/2013/09/17/once-china-catches-up-what-then/.

[18] *WIPO Releases Compilation of Recent IP Statistics*, WORLD INTELL. PROP. ORG. (Sept. 20, 2011), http://www.wipo.int/pressroom/en/articles/2011/article_0021.html#_ftn1; *WIPO IP Facts and Figures 2011*, WORLD INTELL. PROP. ORG. (2011), *available at* http://www.wipo.int/export/sites/www/freepublications/en/statistics/943/wipo_pub_943_2011.pdf.

[19] In a single-class filing system, a trademark applicant can file one mark in one class per trademark application. In a multi-class filing system, an applicant can file a mark in more than one class in one application. *See infra* Part III.B.

[20] *WIPO Releases Compilation of Recent IP Statistics*, *supra* note 18.

II. DEVELOPMENT OF CHINESE TRADEMARK LAW

Despite the country's long history, China's modern system of intellectual property law, including trademark law, is a relatively young institution.[21] Examining the development of Chinese Trademark Law as well as the different forces that helped shape the law as it stands today serves as a helpful backdrop to the subsequent discussion of what characteristics of the law allow trademark squatting to persist.

A. Early Development from the Pre-Modern Era to the Cultural Revolution

During its long and rich history of 5,000 years, China has consistently been at the forefront of scientific discovery and technological invention.[22] For example, it was the first to invent, among other things, "papermaking, printing with movable types, gunpowder, and the compass."[23] The first known trademarks have been traced back to the Northern Zhou Dynasty (556–580 A.D.), when merchants began to use different marks to distinguish their products and craftsmanship from others.[24] Yet despite such a long history of using trademarks, direct regulation and protection of trademarks by the government has been a fairly recent development.[25] China's first formal trademark law, strongly influenced by foreigners that had substantial control over China's trade at the time, was enacted by the Qing Dynasty government in 1904 but was never put into practice.[26]

The Republican-era governments that followed the end of the Qing Dynasty enacted more comprehensive trademark laws, and in 1923, Northern Chinese warlords established China's first trademark office.[27] Despite these developments, trademark protection in pre-1949 China "was largely illusory," and trademarks were frequently counterfeited in the absence of official remedies.[28]

The mid-twentieth century brought the founding of the People's Republic of China (PRC) and the establishment of the Chinese Communist

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[21] *See* Weiqiu Long, *Intellectual Property in China*, 31 ST. MARY'S L.J. 63, 67–71 (1999).

[22] Jessica J. Zhou, *Trademark Law & Enforcement in China: A Transnational Perspective*, 20 WIS. INT'L L.J. 415, 417 (2002).

[23] *Id.*

[24] *Id.*

[25] Geoffrey T. Willard, *An Examination of China's Emerging Intellectual Property Regime: Historical Underpinnings, the Current System and Prospects for the Future*, 6 IND. INT'L & COMP. L. REV. 411, 413 (1996).

[26] Zhou, *supra* note 22, at 418; JIANQIANG NIE & KEISUKE IIDA, THE ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS IN CHINA 179 (2006).

[27] Willard, *supra* note 25, at 414.

[28] *Id.* at 415.

Party.[29] The Cultural Revolution that followed brought developments in intellectual property law to a grinding halt.[30] Basing their new legal system on the Soviet model, the PRC's early intellectual property law system was based on the idea that individual accomplishments belonged to all of society.[31] Not surprisingly, "individual ownership of intellectual property . . . did not fare well within this [ideological framework]," and trademark registration as well as regulatory supervision of domestic trademarks nearly disappeared.[32]

B. Transition to China's Modern Trademark Law

It wasn't "until the post-Mao Zedong era of the 1980s that China began building a formal legal system."[33] With the recognition that a legal structure that created a business environment more inviting to foreign investors was essential for economic development,[34] China began to implement new regulations that improved protection of intellectual property.[35]

The present legal system in China, including trademark law, was founded on the Chinese Constitution promulgated in 1982 (1982 Constitution), which differed considerably from the first Constitution of China, promulgated in 1954.[36] On August 23, 1982, the Fifth National People's Congress of China adopted a trademark law, and within three years, the State Council of China promulgated the Implementing Regulations of the Trademark Law, which served to address specific application of the laws.[37] Essentially, this new law "made it possible for individuals and institutions, in addition to enterprises, to apply for trademark registration."[38] Furthermore, the new law authorized a private right of action against infringing marks, though damages for infringement

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[29] *Id.* at 414–15.

[30] *Id. See generally* LASZLO LADANY, LAW AND LEGALITY IN CHINA: THE TESTAMENT OF A CHINA-WATCHER 72–78 (1992).

[31] WILLIAM P. ALFORD, TO STEAL A BOOK IS AN ELEGANT OFFENSE 56–57 (1995).

[32] Zhou, *supra* note 22, at 420–21.

[33] Jessica C. Wong, *The Challenges Multinational Corporations Face in Protecting Their Well-Known Trademarks in China*, 31 BROOK. J. INT'L L. 937, 941 (2006).

[34] *See* KENNETH LIEBERTHAL, GOVERNING CHINA, FROM REVOLUTION THROUGH REFORM 243–59 (1995) (discussing the economic reforms undertaken during this period).

[35] Zhou, *supra* note 22, at 416 ("China's long-time inability to join the World Trade Organization (WTO) had been largely attributable to political oppositions from the U.S. and Europe claiming, among other things, that China could not provide adequate protection for intellectual property rights.").

[36] Long, *supra* note 21.

[37] *Id.* at 67.

[38] Zhou, *supra* note 22, at 426. For general commentary on the 1983 Trademark Law, see L. Mark Wu-Ohlson, *A Commentary on China's New Patent and Trademark Laws*, 6 NW. J. INT'L L. & BUS. 86, 126 (1984).

remained compensatory.[39]

Partly in response to criticism that China did not provide adequate enforcement against infringing trademarks,[40] the Standing Committee of the Seventh National People's Congress of China subsequently revised the Trademark Law of 1982 on February 22, 1993.[41] Corresponding with those revisions, the State Council of China also revised the Implementing Regulations of the Trademark Law of 1983, once each in 1988 and 1993.[42] The amendments expanded the categories of actions that constituted acts of infringements, as well as implemented rules that imposed higher ranges of fines and criminal penalties.[43]

C. External and Internal Pressures Continue to Shape Chinese IP Law

Both external and internal pressures have since pushed China forward in the development of its current intellectual property laws.[44] Externally, the United States has been the most aggressive proponent pushing for stronger intellectual property right enforcement in China, repeatedly threatening the country with "economic sanctions, trade wars, non-renewal of Most Favored Nation status, and opposition to entry into the World Trade Organization."[45] Since 1979, with the first Sino-American bilateral agreement, the Agreement on Trade Relations Between the United States of America and the People's Republic of China,[46] China has relented under U.S. pressure. The two countries signed bilateral agreements in 1992[47] and

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[39] Zhou, *supra* note 22, at 426.

[40] William P. Alford, *Don't Stop Thinking About . . . Yesterday: Why There Was No Indigenous Counterpart to Intellectual Property Law in Imperial China*, 7 J. CHINESE L. 3, 5–6 (1993) ("[In] the early 1990s, the United States government labeled both the PRC and the Republic of China (ROC) as principal culprits in the infringement of billions of dollars of American intellectual property. In consequence, the United States Trade Representative launched trade actions against both the PRC and ROC, resulting, after bitter negotiations, in the conclusion by each of agreements in 1992 to revise their intellectual property laws to meet American concerns.").

[41] Long, *supra* note 21, at 69.

[42] *Id.*

[43] *See* Hamideh Ramjerdi & Anthony D'Amato, *The Intellectual Property Rights Laws of the People's Republic of China*, 21 N.C. J. INT'L L. & COM. REG. 169, 177–78 (1995).

[44] Luo & Ghosh, *supra* note 11, at 128–31. For a discussion on how intellectual property regimes in developing countries go through phases according to internal and U.S. trade pressure, see Ruixue Ran, *Well-Known Trademark Protection in China: Before and After the TRIPS Amendments to China's Trademark Law*, 19 UCLA PAC. BASIN L.J. 231, 245 (2002).

[45] Peter K. Yu, *From Pirates to Partners: Protecting Intellectual Property in China in the Twenty-First Century*, 50 AM. U. L. REV. 131, 132–33 (2000).

[46] Agreement on Trade Relations, July 7, 1979, U.S.-P.R.C, 31 U.S.T. 4651.

[47] Memorandum of Understanding on the Protection of Intellectual Property, Jan. 17, 1992, U.S.-P.R.C, T.I.A.S. No. 12036.

1995,[48] in which China promised to increase protection of intellectual property within its borders.[49]

International treaties and non-binding international standards were also a key force in shaping China's current intellectual property laws.[50] To demonstrate its commitment towards intellectual property protection to the international community, China began signing treaties and joining IP rights organizations such as the World Intellectual Property Organization (WIPO) in 1980.[51] In preparing to join the World Trade Organization (WTO), which it did in December 2001, China undertook a complete overhaul of its intellectual property law system, amending its copyright, patent, and trademark laws.[52] These "millennium amendments" shaped China's trademark laws to conform better to the TRIPS Agreement, such as by strengthening protection of "well-known" marks, removing time limits for challenging marks acquired by fraud or other unfair means, adding judicial review of all trademark office administrative decisions, and strengthening enforcement by allowing preliminary injunctions.[53]

However, to characterize the millennium amendments as China's passive response to external factors would not give a complete picture of the forces behind the change, as the rapidly changing domestic conditions also necessitated modernization of Chinese intellectual property law.[54] Most significantly, with the emergence of a socialist market economy, the notion of private profit became justifiable and the National People's Congress saw the need to remove outdated provisions from the "command economy" that existed previously.[55] Yet these developments proved to be inadequate in providing protection against trademark squatters.

III. CHARACTERISTICS OF CHINESE TRADEMARK LAW THAT FOSTER TRADEMARK SQUATTING

How is it that despite these advancements in the modernization of

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[48] Agreement Regarding Intellectual Property Rights, Feb. 26, 1995, U.S.-P.R.C., 34 I.L.M. 881.

[49] Luo & Ghosh, *supra* note 11, at 131.

[50] *Id*.

[51] Convention Establishing the World Intellectual Property Organization, July 14, 1967, 21 U.S.T. 1749, 828 U.N.T.S. 3; Wong, *supra* note 33, at 941.

[52] Peter K. Yu, *From Pirates to Partners (Episode II): Protecting Intellectual Property in Post-WTO China*, 55 AM. U. L. REV. 901, 908–14 (2006) [hereinafter Yu, *From Pirates to Partners (Episode II)*]. For the text of the amended trademark law, see Zhonghua Renmin Gongheguo Shangbiao Fa (中华人民共和国商标法) [Trademark Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Oct. 27, 2001, effective Oct. 27, 2001) ST. COUNCIL GAZ., Nov. 20, 2001, *available at* http://english.ipr.gov.cn/lawsarticle/laws/lawsar/trademark/200608/233124_1.html (last visited Nov. 20, 2012) [hereinafter PRC Trademark Law of 2001].

[53] Yu, *From Pirates to Partners (Episode II)*, *supra* note 52, at 910–11.

[54] *Id.* at 914.

[55] *Id.* at 917–18.

trademark law, trademark squatting still flourishes? This part examines characteristics of Chinese Trademark Law that are relevant in creating an environment that is amenable to trademark squatting: the first-to-file system, single-class filing, the heightened requirements for well-known status, and the language barrier.

A. First-to-File as Opposed to First-to-Use

China follows a first-to-file system for trademarks.[56] Unlike the United States, which requires, among other things, proof of use of a trademark in commerce before allowing registration, the earliest applicant in China need not show use in commerce.[57] Article 29 of China's Trademark Law explains the procedure:

> Where two or more applicants apply for the registration of identical or similar trademarks for the same or similar goods, the preliminary approval, after examination, and the publication shall be made for the trademark which was first filed. Where applications are filed on the same day, the preliminary approval, after examination, and the publication shall be made for the trademark which was the earliest used, and the applications of the others shall be refused and their trademarks shall not be published.[58]

The current Regulations for the Implementation of the Trademark Law of the PRC further specify that if use was started on the same day or if neither trademark is in use, all of the applicants must consult with each other to submit an agreement to the Trademark Office.[59] If an agreement is not reached, the Trademark Office will draw lots to determine which application to register.[60] Although Article 31 of the Trademark Law states that an application for the registration of a trademark shall not create any prejudice to the prior right of another person nor should unfair means be used to preemptively register the trademark of some reputation that another person has used, "it is unclear precisely what this language means and the

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[56] PRC Trademark Law of 2001, *supra* note 52, art. 29; Campbell & Pecht, *supra* note 6, at 78.

[57] U.S. trademark law specifies that the United States Patent and Trademark Office will not issue trademark registration until the applicant files a verified statement that the mark is in use in commerce. 15 U.S.C. § 1051(b), (d) (2001); *see also* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

[58] PRC Trademark Law of 2001,*supra* note 52, art. 29.

[59] Regulation for the Implementation of the Trademark Law art. 19 (promulgated by State Council, Aug. 3, 2002, effective Sept. 15, 2002), http://www.chinaipr.gov.cn/lawsarticle/laws/lawsar/trademark/200604/233111_1.html (China).

[60] *Id.*

extent to which it is enforced."[61]

Thus, China's system requires no evidence of prior use or ownership, leaving registration of popular foreign marks open to third parties.[62] This has been, and will likely continue to be, an enormous impediment to foreign companies entering China. An American company, by using a mark that they themselves developed, may have its goods seized, be unable to use its mark, and may even find itself as the defendant in a suit for infringement because a squatter already registered the trademark.[63]

However, the first-to-file system cannot be seen as the sole reason for the proliferation of trademark squatting in China, since most countries that follow the civil law tradition base trademark rights on registration and "give few if any rights to a prior unregistered trademark user."[64] The first-to-use system used in the United States is grounded in English common law and prevails only in countries that follow the common law tradition, such as Canada and Australia.[65]

B. Single-Class Filing as Opposed to Multi-Class Filing

Budweiser shoes? Mercedes toaster ovens? While neither Budweiser nor Mercedes plan to place their names on shoes or kitchen appliances, enterprising trademark squatters have already registered these brand names for use on "everything from house wares to clothing sold in China."[66] This is possible due to another difference from the trademark laws of the United States: China requires single-class, as opposed to multi-class, trademark applications.[67]

When filing trademark applications, most countries require that the goods and services in the application be grouped in various classes under the International Classification of Goods and Services for the Purposes of the Registration of Marks (the Nice Classification).[68] A product is divided into classes according to its function, or if there is no apparent function,

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[61] PRC Trademark Law of 2001,*supra* note 52, art. 31; Campbell & Pecht, *supra* note 6, at 79.

[62] *Intellectual Property Rights*, EMBASSY OF THE UNITED STATES BEIJING-CHINA, beijing.usembassy-china.org.cn/iprtrade.html (last visited May 14, 2014).

[63] Breann M. Hill, *Achieving Protection of the Well-Known Mark in China: Is There a Lasting Solution?*, 34 U. DAYTON L. REV. 281, 288 (2009).

[64] Jefferson Perkins, *Fighting Foreign Trademark Piracy*, 24 DCBA BRIEF 28, 29 (2011).

[65] *Id.*

[66] JEROEN LALLEMAND, SPECIAL REPORT TRADEMARKS IN CHINA: LAND OF OPPORTUNITY POSES UNIQUE INTELLECTUAL PROPERTY RISKS FOR BRAND OWNERS 2 (Dec. 2011), *available at* http://trademarks.thomsonreuters.com/sites/default/files/rsrc_assets/docs/china_special_report.pdf.

[67] *Single Class vs. Multi-Class Trademark Applications,* INT'L TRADEMARK ASS'N (last visited Nov. 21, 2012), http://www.inta.org/TrademarkBasics/FactSheets/Pages/SingleClassvsMulti-ClassTrademarkApplications.aspx.

[68] *Id.*

according to its material composition.[69] Services are divided according to the nature of the services performed.[70] The current version of the Nice Classification consists of thirty-four classes of goods and eleven classes of services, and such classifications streamline and quicken the registration process.[71]

The single-class filing system that China uses means that there is one mark, one class per trademark application, in contrast to the multi-class filing system used in the United States where an applicant can file a mark in more than one class in one application.[72] Thus in China, an applicant must file a separate application for each class that they wish to protect their trademarks. The only way to be fully protected in China is to repeat the trademark application process dozens of times for China's forty-five trademark categories, each of which has multiple sub-categories.[73] Unless a corporation does so, a trademark squatter could snatch up one or more of the remaining categories to sell products of their own or to attempt to sell the category back to the corporation at an inflated price. The difficulties that Apple faced because it registered its iPhone trademark in the wrong subclass are a good illustration of the consequences of not being familiar with the single-class filing system.[74]

C. It's Hard to Be Well-Known in China

In addition to the systematic difficulties that overseas brands face due to China's first-to-file rule as well as the single-filing system, another difficulty that arises in combating trademark squatters comes from the high evidentiary requirements that trademark owners face in order to be deemed famous in China, which would afford them the added protection of being a "well-known" unregistered mark.[75]

Well-known marks are given extensive rights and privileges under Chinese Trademark Law. The current Chinese Trademark Law provides that if a well-known mark is registered in China, the owner of the mark can exclude others from registering, reproducing, or translating the mark across all categories of trademarks.[76] Even if the mark is unregistered, the owner

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[69] *Id.*

[70] *Id.*

[71] *Id.*

[72] Mary M. Squyres & Nanette Norton, *Choice of Class in Which to File—Single or Multi-Class Filing*, *in* 1 TRADEMARK PRAC. THROUGHOUT THE WORLD § 4:14 (2012) ("As many countries change their laws, they are moving away from this system in that it is more cumbersome for record-keeping purposes, both for a docket and for number of files.").

[73] LALLEMAND, *supra* note 66.

[74] *See supra* text accompanying notes 2–4.

[75] Mary K. Alexander, Note, *The Starbucks Decision of the Shanghai No. 2 Intermediate People's Court: A Victory Limited to Lattes?*, 58 CASE W. RES. L. REV. 881, 894–95 (2008).

[76] Luo & Ghosh, *supra* note 11, at 122–23.

can prevent the mark's use or registration in similar or identical categories of goods in China so long as the mark is deemed well known.

The Chinese courts will consider the following factors in determining whether a mark is well known:

> (1) reputation of the mark to the relevant public; (2) time period for the owner's continued use of the mark; (3) consecutive time period, extent and geographical area of advertisement of the mark; (4) records of protection of the mark as a well-known mark; and (5) any other factors relevant to the mark's reputation.[77]

The 2003 Provisions on the Determination and Protection on Well-Known Trademarks describe these factors in greater detail and list what types of evidence a trademark owner may submit to prove that its mark is well known.[78]

In the past, Chinese Trademark Law was interpreted to require the trademark in question to be famous inside of China.[79] However, with the amendment of the laws to consider the "relevant public," as opposed to the entire Chinese public, the test for well-known trademarks has shifted slightly, but the requirements are still stringent. While the 2003 Provisions define "relevant public" to include "consumers of the type of goods and/or services to which the mark applies," it is unclear which "consumers" need to be considered.[80] A court interpreting these definitions may determine that "consumers" mean only actual purchasers, not potential purchasers or

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[77] PRC Trademark Law of 2001, *supra* note 52, art. 14.

[78] Article 3 of the 2003 Provisions indicates that the following types of evidence may be used to show that a mark is well known:

> (1) documents concerning the degree of knowledge or recognition of the mark in the relevant sector of the public; (2) documents concerning the duration of the use of the mark, including those related to the history and scope of the use and the registration of the mark; (3) documents concerning the duration, extent and geographical area of any promotion of the mark, including the approach to, geographic area of, the type of media for and the amount of advertisements for the promotion of the mark; (4) documents concerning the record of successful enforcement of rights in the mark, including the relevant documents certifying the mark in question was once protected as a well-known mark in China or any other country/region; (5) other evidences certifying that the mark is well-known, including, in the past three years, the outputs, sales volumes, sales incomes, profits and taxes and sales regions etc. of the principal goods to which the mark applies.

Provisions on the Determination and Protection of Well-Known Marks (promulgated by the State Admin. for Indus. & Commerce, Apr. 17, 2003), *available at* http://www.wipo.int/wipolex/en/text.jsp?file_id=181515 (China).

[79] Alexander, *supra* note 75, at 889.

[80] *See* Provisions on the Determination and Protection of Well-Known Marks.

consumers in general. For foreign trademark holders whose goods have not entered China yet, or have not been able to reach the greater Chinese population, such an interpretation would erect a huge evidentiary barrier for achieving well-known status. This is especially true since Chinese courts are least willing to look at evidence of overseas reputation.[81]

The Italian Ferrari Company experienced the difficulty of achieving well-known mark status over the several years it battled a Chinese department store that had registered Ferrari's prancing horse design as a trademark.[82] After both the China Trademark Office and the Trademark Review and Adjudication board rejected Ferrari's contention that its prancing horse mark was well known, the Italian carmaker turned to the Chinese courts.[83] Unfortunately, the *Ferrari* court also held that the mark was not well known, primarily because Ferrari had failed to proffer evidence of advertising and publicity in China.[84]

This difficulty of defining the "relevant public" is compounded by the sheer geographic size of China[85] as well as the huge economic discrepancies across the country.[86] Though coastal regions and major cities have relatively advanced economies, vast regions exist where the market is less developed and consumers have less exposure to foreign brands.[87] With these barriers to well-known status, so far only a handful of U.S. trademarks have been deemed well known, including Disney, Wal-Mart, Pioneer, and Barbie.[88]

D. The Language Barrier: Three Marks for Every Brand

The language barrier that exists between China and other countries is a complicating factor outside of the legal framework that also frequently comes into play.

Pfizer, Inc. hit it big with its blockbuster drug, Viagra, in the United States and many other countries.[89] As the largest pharmaceutical company

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[81] Alexander, *supra* note 75, at 895; *see also* Jing, *supra* note 9

[82] For details of Ferrari's "horsing saga," see Luo & Ghosh, *supra* note 11, at 141–47.

[83] *Id.* at 141–43.

[84] *Id.*

[85] China's total area is 3,696,100 square miles, which is larger than the United States. *China Quick Facts*, ENCYCLOPEDIA BRITANNICA, *available at* http://www.britannica.com/topic/111803/China-quick-facts (last visited Apr. 1, 2014); *United States Quick Facts*, ENCYCLOPEDIA BRITANNICA, *available at* http://www.britannica.com/topic/616563/United-States-quick-facts (last visited Apr. 1, 2014).

[86] *See* Richard S. Gruner, *Intellectual Property in the Four Chinas*, 37 INT'L L. NEWS, Spring 2008, at 1 (arguing that the regional characteristics and business circumstances of the four regions in China create four very different environments for IP enforcement).

[87] Luo & Ghosh, *supra* note 11, at 147.

[88] Breann M. Hill, Comment, *Achieving Protection of the Well-Known Mark in China: Is There a Lasting Solution?,* 34 U. DAYTON L. REV. 281, 291 (2009).

[89] The drug was an immediate success after its release in 1998, generating billions of dollars in

in the world by revenue,[90] there is no doubt that it has access to the best legal and business resources to protect its intellectual property rights around the world. Pfizer had been targeting China as a big market for Viagra for years, illustrated by its investment of over five hundred million dollars in the PRC for production facilities as well as the opening of a research and development center in Shanghai.[91] Ironically, however, Pfizer does not own the most popular name for Viagra in China, *Weige* (伟哥), which means "Great Older Brother," but instead owns *WaiAike* (万艾可), a transliteration of Viagra that has no meaning in Chinese and lacks the popularity and appeal of *Weige*.[92] *Weige* is owned by a Chinese pharmaceutical company, who first registered the mark when the Chinese media coined Viagra by that term.[93] Despite many attempts to challenge the *Weige* mark, Pfizer has been unsuccessful in gaining ownership of the mark.[94]

Pfizer's difficulties illustrate a method that is frequently used by trademark squatters to infringe on a trademark owner's rights. Because English trademarks are commonly referred to by a Chinese transliteration, once an unofficial Chinese-language name gains popularity, a Chinese entity may obtain a registration for that name before the original trademark owner can do so.[95]

Furthermore, due to the intricacies of the language, a single western brand will typically have at least three marks in China: the original brand name, the "sound-alike" version, and the definition of what the brand means in Mandarin.[96] But because there are numerous similar characters, forms, and sounds, this creates great fodder for creative pirating. Trademark squatters can manipulate the form, sound, or meaning of a trademark so that they can register confusingly similar marks of their own.[97]

IV. NEW DEVELOPMENTS IN EFFORTS TO COMBAT TRADEMARK SQUATTING

Though trademark squatting persists due to factors previously discussed, new developments within the past few years signal that China is

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revenue. *See* Daniel Chow, *Lessons from Pfizer's Disputes over Its Viagra Trademark in* China, 27 MD. J. INT'L L. 82, 85 (2012).

[90] John LaMattina, *The Challenges in Staying #1 in Big Pharma*, FORBES (July 13, 2012, 12:43 PM), http://www.forbes.com/sites/johnlamattina/2012/07/13/the-challenges-in-staying-1-in-big-pharma/.

[91] Chow, *supra* note 89, at 83.

[92] *Id*.

[93] *Id*. at 87.

[94] *Id*. at 91–92.

[95] *Id.* at 87–88.

[96] LALLEMAND, *supra* note 66, at 6.

[97] *Id.*

moving towards a more forceful legal approach against bad-faith squatters. This part discusses recent developments within the Supreme People's Court of China, as well as the 2013 amendment to China's Trademark Law.

A. The Supreme Court's 2011 Opinions

On December 16, 2011, the Supreme People's Court of China released Opinions of the *Supreme People's Court on Giving Full Play to the Functional Role of Intellectual Property Trials in Advancing the Great Development and Prosperity of Socialist Culture and Promoting Independent and Coordinated Economic Development* (Opinions).[98] These Opinions included 30 specific comments covering various IP issues.[99]

Pertaining to trademarks, the Supreme Court emphasized, through the Opinions, the importance of curbing bad faith registrations making apparent that the Court is aware of this persistent issue and intends for it to be considered more thoroughly in adjudication.[100] On the issue of well-known marks, the Opinions imply that even if there is lack of recognition of the well-known trademark or an absence of solid evidence of bad faith, the courts could still evaluate the similarity between squatters' marks and brand owners' marks to determine if there is likelihood of confusion.[101] Courts will make full use of the Trademark Law and consider reputation and distinctiveness of trademarks, the real intention to use a trademark, and the bad faith in trademark use to crack down on trademark squatting.[102]

Another promising development is the introduction of "bad faith trademark registration" as a defense in trademark infringement cases.[103] This means that when a trademark squatter brings a trademark infringement action against the true owner of a trademark, the defendant can defend the action by claiming the trademark requesting protection was registered in bad faith.

Some see this as a strong message from the Supreme Court that IP judges should take progressive approaches to stop trademark squatting

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[98] *See* Zhen Feng et al., *Full Review of the Opinions from the Supreme People's Court of China on Giving Full Play to the Functional Role of Intellectual Property Trials (Issued Dec 2011)*, HOGAN LOVELLS (April 2012), http://m.hoganlovells.com/files/Publication/0ad2c474-de2f-47ed-8825-62bb7385cefd/Presentation/PublicationAttachment/b039ff90-91ed-437b-a925-718ace20daac/Client%20note%20-%20New_Opinions_from_the_Supreme_People_s_Court_of_China_April_2012_%23.pdf.

[99] *Id.*

[100] *Id.*

[101] He Jing, *Chinese Court Backed Up LVMH in Its Fight Against Trademark Squatters*, ZY PARTNERS LEGAL NEWSLETTER (Feb. 24, 2012), http://www.zypartners.com/zjys/blog/show_e.asp?newsid=93.

[102] Huang Hui & Yang Mingming, *Trademark Squatting: Fighting Against Trademark Squatters in China*, WORLD INTELL. PROP. REV. (Jan. 6, 2012), http://www.worldipreview.com/article/fighting-against-trademark-squatters-in-china.

[103] Feng et al., *supra* note 98.

activities, and argue that Chinese courts have become more reasonable and consistent in their rulings since the Opinions were issued.[104] However, it remains to be seen how strong of an influence the Opinions will have as more lower courts interpret the Supreme Court's guidance over the long term.

B. 2013 Amendment of Trademark Law

It has been over ten years since the revision of Chinese Trademark Law. Since the last revision in 2001, the country has made continuous efforts to pass a third amendment, which would bring Chinese Trademark Law into alignment with the Singapore Treaty on the Law of Trademarks, which was signed by China in 2007.[105] The government has released various drafts for public comment. The State Administration for Industry and Commerce released the first draft for public comment in 2009, followed by a 2011 draft by the State Council.[106] The National People's Congress released a final draft for public comment in December of 2012, which was finally approved on August 30, 2013.[107] The new law will be implemented on May 1, 2014.[108]

The third amendment makes several, significant changes to Chinese Trademark Law. First, after the implementation of the amendment, applicants for trademarks only need to submit one application for multiple classes.[109] This change simplifies the registration process, and prevents enterprising trademark squatters from registering famous trademarks in classes that the original owner did not file separate applications.

Article 7 of the amendment also introduces the principle of good faith

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[104] Emma Barraclough, *How Supreme Court Advice is Changing Trademark Squatting in China,* 222 MANAGING INTELL. PROP. 102, 102 (2012); Jing, *supra* note 101.

[105] For example, Article 7 of the Singapore Treaty provides for multiple-class application for trademarks. Singapore Treaty on the Law of Trademarks, art. 7, Mar. 27, 2006, S. TREATY DOC. No. 110-2.

[106] Draft of Trademark Law Amendment for Public Comment, The Legislative Affairs Office of the State Council (2011), *available at* http://www.gov.cn/gzdt/2011-09/02/content_1939013.htm; *see* Paul Ranjard, *Opinion on the Third Revision of China's Trademark Law 2012 Draft*, LEXOLOGY (Jan. 30, 2013), http://www.lexology.com/library/detail.aspx?g=e72463b4-637b-437e-87d1-aa2a59fdedce.

[107] Shangbiao Fa Xiuzheng An (Cao'an) Tiaowen (商标法修正案（草案） 条文) [Amendment of the Trademark Law of the People's Republic of China (Draft)] (proposed by the Standing Comm. Nat'l People's Cong., Dec. 28, 2012), *available at* http://www.npc.gov.cn/npc/xinwen/lfgz/flca/2012-12/28/content_1749326.htm (China); Quanguo Renmin Daibiao Dahui Changwu Weiyuan Hui guanyu Xiugai (Zhonghua Renmin Gongheguo Shangbiao Fa) de Jueding, (全国人民代表大会常务委员会关于修改《中华人民共和国商标法》的决定) [The Decision to Amend the Trademark Law of the People's Republic of China by the Standing Committee of the National People's Congress] (Aug. 30, 2013), *available at* http://www.npc.gov.cn/npc/xinwen/2013-08/31/content_1805119.htm [hereinafter 2013 Amendment].

[108] *See* 2013 Amendment.

[109] *Id.* art. 22.

in trademark use and registration.[110] The addition of good faith language into trademark law signals a resolution to restrain bad faith trademark squatting, because this article may be used to guard against bad faith registrations that cannot be stopped by other specific grounds within the law.[111]

Also, under the amended Article 34, if a trademark applicant has a contract, business, or geographical relationship with the right holder of an existent trademark, the registration can be identified and denied as malicious squatting.[112] Furthermore, registration will not be granted to applications for trademarks imitating a registered well-known trademark in a different classification.[113]

Finally, the 2013 amendment allows for a stronger protection system for trademark owners. In calculating damages, the new law lowers the burden of proof for the trademark owner, as it allows courts to order the infringer to provide its accounting books and relevant materials necessary to calculate damages.[114] Statutory damages have been increased from a cap of RMB 500,000 to RMB 3,000,000.[115] The 2013 amendment also allows punitive damages of up to 3 times normal damages, which is the first time punitive damages have been introduced into Chinese intellectual property laws.[116]

However, the amendment also included some disappointing features. Under current law, a trademark owner can oppose an application made in bad faith at the Chinese Trade Mark Office, and if unsuccessful it can appeal to the Trade Mark Review and Adjudication Board and then to the courts.[117] Under the amended law, if an opposition at the Chinese Trade Mark Office is unsuccessful, the mark is granted and the trademark owner must then file a revocation action at the Trade Mark Review and Adjudication Board.[118] This simpler process, probably designed to deal with the backlog at the Chinese Trade Mark Office and Trade Mark Review and Adjudication Board, may let trademark squatters assert their registered mark even sooner than before.[119] Brand owners who have lost their opposition filing will now face a disadvantageous situation in which a

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[110] *Id.* art. 7.

[111] King & Wood Mallesons, *Eight Key Points about the Third Amendment to the PRC Trademark Law*, MONDAQ (Sept. 10, 2013), http://www.mondaq.com/x/261502/Trademark/Eight+Key+Points+about+the+Third+Amendment+to+the+PRC+Trademark+Law.

[112] 2013 Amendment.

[113] *Id.*

[114] *Id.* art. 63.

[115] *Id.*

[116] *Id.*; King & Wood Mallesons, *supra* note 111.

[117] PRC Trademark Law of 2001, *supra* note 52, art. 35.

[118] 2013 Amendment art. 35.

[119] Peter Ollier, *China Backs Away From Bad Faith Crackdown*, MANAGING INTELL. PROP. 135, 135 (2011).

squatter can obtain and hold the full registered trademark throughout the entire invalidation process.[120]

C. Are These Efforts Enough?

The Opinions by the Supreme Court, as well as the 2013 amendment to Chinese Trademark Law, are significant steps in China's movement towards increased protection of trademarks. However, it is unlikely that these measures will suffice in the fight against trademark squatting.

First of all, the language barrier is a persistent issue. The linguistic complexity of the Chinese language makes it difficult for trademark owners to anticipate what the popular transliteration will be and therefore is a creative heaven for trademark pirates. The language issue is an inherent difficulty of entering the Chinese market and is best dealt with by increased awareness and preparation by trademark owners.

Furthermore, the marginal changes in trademark law are unlikely to prevent trademark squatting because the primary reason why squatting persists is not a lack of law, but the lack of enforcement of the law. Even after joining the WTO, China remained the single largest source of counterfeit and pirated products worldwide.[121] Actual enforcement of intellectual property rights within China continued to be insufficient. In 2005, less than one percent of the total copyright and trademark cases handled by administrative enforcement authorities were turned over to the police for prosecution.[122] It is clear that although foreign pressure on China has been effective in promulgating modern trademark laws, the pressure has been less successful in strengthening enforcement.[123]

Administrative enforcement efforts are hindered by localism, a lack of financial resources, and the inadequacy of penalties against infringers.[124] Since the central government's decision to decentralize, local governments rose in power and formed localized administrative bureaucracies across China.[125] This poses problems for IP enforcement as local officials, themselves, often profit from counterfeit goods through kickbacks and bribes.[126] These local governments were also reluctant to invest the financial resources necessary to enforce intellectual property rights, and

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[120] King & Wood Mallesons, *supra* note 111.

[121] Kevin C. Lacey, *China and the WTO: Targeting China's IPR Record*, 2 LANDSLIDE 33, 33 (2010).

[122] *Id*.

[123] *See* Gillian Kassner, *China's IP Reform: State Interests Align with Intellectual Property Protection (Again)*, JOLT DIGEST (Apr. 24, 2012, 8:27 PM), http://jolt.law.harvard.edu/digest/patent/chinas-ip-reform-state-interests-align-with-intellectual-property-protection-again.

[124] Wong, *supra* note 33, at 965.

[125] *See* Andrew Evans, *Taming the Counterfeit Dragon: The WTO, TRIPS and Chinese Amendments to Intellectual* Property Laws, 31 GA. J. INT'L & COMP. L. 587, 590–91 (2003).

[126] *Id* at 591.

general inefficiencies of decentralized enforcement compounded into great hindering of enforcement.[127] "If administrative mechanisms of protection were more successful . . . fewer parties would [need to] initiate legal proceedings," which have the added benefit of reducing the backlog in Chinese courts.[128]

Similarly, though judicial enforcement has improved with the modernization of trademark laws, it is also plagued by many problems, including the lack of resources, difficulty in enforcing judgments, inadequacy of penalties, and the lack of judicial independence.[129] Other speculations about reasons for China's weak intellectual property enforcement also point to China's low average incomes, the country's position as a net importer of goods and services, and the lack of cultural recognition of intellectual property rights.[130] Clearly, simply amending trademark laws is not a perfect solution.

V. SUGGESTIONS FOR THE FUTURE DIRECTION OF CHINESE TRADEMARK LAW AND ENFORCEMENT

In finding possible solutions to China's trademark squatting problem, it is useful to consider how other countries were able to make changes that helped alleviate trademark squatting.

South Korea is also a first-to-file country that has "a cottage industry of very sophisticated trademark squatters."[131] However, South Korea has made several significant changes towards the goal of combating the issue, which China could also implement. The Korean Intellectual Property Office responded to trademark squatting in South Korea by "lowering the standard for famous marks"—equivalent to "well-known marks" in China—if "marks [have] been in use in other countries."[132] As an example of the lowered standard for famous marks, when a South Korean company filed and registered marks related to Häagen-Dazs—"complete with the two As and the umlaut"—for use on handbags, the patent court sided with the original Häagen-Dazs mark on grounds that the mark was famous in Japan and, therefore, protected as a famous mark in South Korea.[133] China should follow South Korea's lead by lowering the standard for well-known

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[127] *Id.*

[128] Wong, *supra* note 33, at 966.

[129] *Id.* at 667–72.

[130] *See* Mark Liang, *A Three-Pronged Approach: How the United States Can Use WTO Disclosure Requirements to Curb Intellectual Property Infringement in China*, 11 CHI. J. INT'L L. 285, 290–93 (2010).

[131] JEROEN LALLEMAND, SPECIAL REPORT TRADEMARKS IN KOREA: BRANDING THE NEW CULTURAL WAVE 8 (June 2012), http://trademarks.thomsonreuters.com/sites/default/files/rsrc_assets/docs/south_korea_special_report_1.pdf.

[132] *Id*.

[133] *Id.* (citation omitted).

marks so that use in other countries is considered.

Another significant move that South Korea made was its decision to join the Anti-Counterfeiting Trade Agreement (ACTA), a treaty signed in 2006.[134] The ACTA is an "initiative by key trading partners to strengthen the international legal framework for effectively combating global proliferation of commercial-scale counterfeiting and piracy."[135] Though skeptics maintain that the ACTA would not have enough of an influence on China to halt intellectual property infringement,[136] by joining such agreements, China can increase its enforcement efforts as well as signal to the world that it is serious about combating squatters.

Lastly, what China needs in order to follow the South Korean example is time to create homegrown intellectual property. "South Korean companies are prolific filers of patent and trademark applications for inventions, products, and brands," which became a strong driving force in the South Korean government's push for strong intellectual property enforcement both domestically and abroad.[137] Similar to the development that South Korea experienced a few decades ago, "China has followed the typical pattern of a developing nation by depending heavily on foreign investment and imported technology before being able to generate substantial internal growth and technological advancement on its own."[138] Due to the lack of technological innovation in China, strict intellectual property enforcement does not bring great benefit to Chinese companies, which leads to decreased government incentive for enforcement both at home and abroad.[139] Over time, as China develops so that its domestic innovation becomes a major driving force of the economy, there is no doubt that the country, as a whole, will move towards increased enforcement of intellectual property rights.

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[134] Anti-Counterfeiting Trade Agreement (ACTA), Oct. 11, 2001, OFFICE OF THE U.S. TRADE REPRESENTATIVE, http://www.ustr.gov/acta (last visited Nov. 23, 2012).

[135] The parties included the United States, the European Union, Switzerland, Japan, Australia, the Republic of Korea, New Zealand, Mexico, Jordan, Morocco, Singapore, the United Arab Emirates, and Canada. *Id*.

[136] *See, e.g.*, Yicun Chen, *The Impact of ACTA on China's Intellectual Property Enforcement*, NAT'L L. REV. (2012), http://www.natlawreview.com/article/impact-acta-china-s-intellectual-property-enforcement ("[E]nforcement of the international IP agreements like ACTA is difficult for many developing countries partly because the developed countries have set the intellectual property standards. . . . . [S]ince China and many other developing countries lack technological innovation, the incentives provided by intellectual property rights (for investment in research and development) are not meaningful."); *see generally* Leroy J. Pelicci Jr., *China and the Anti-Counterfeiting Trade Agreement—ACTA Faith, or ACT Futility?: An Exposition of Intellectual Property Enforcement in the Age of Shanzhai*, 1 PENN ST. J. L & INT'L AFF. 121 (2012).

[137] LALLEMAND, *supra* note 131, at 2.

[138] John R. Allison & Lianlian Lin, *The Evolution of Chinese Attitudes Toward Property Rights in Invention and Discovery*, 20 U. PA. J. INT'L ECON. L. 735, 775 (1999).

[139] Chen, *supra* note 136.

VI. SUGGESTIONS FOR PRACTITIONERS

Though the development of Chinese Trademark Law is ongoing, practitioners still need to operate wisely within the current legal framework so that they can protect the intellectual property of their clients. The following are several practical tips that every practitioner should consider when operating under Chinese Trademark Law.

First, since there is no requirement that a trademark be in use before a trademark application can be filed with the Trademark Office, one important strategy that companies would be wise to follow is to file trademark applications early, before they begin using a mark in China in order to prevent trademark squatters.[140] "The Trademark Law provides that a trademark can be cancelled if it is not used for three consecutive years," but "the trademark registration process can take anywhere from [eighteen] to [twenty-four] months or longer, meaning that the trademark applicant may have four to five years before it is required to show it is using its trademark or else risk cancellation of its registration."[141] Therefore, even if a company does not have immediate plans to enter the Chinese market, if its trademark is or is becoming well known in the United States, the company should consider filing in advance, before trademark squatters beat them to it.

Second, in China a mark's sound and meaning all need to be protected. Trademark squatters frequently infringe on a brand's well-known mark by manipulating the form, sound, or meaning of the marks, which is made possible by an abundance of similar characters, forms, and sounds in the complex Chinese language.[142] Thus, trademarks best suited for China often "convey the unique meaning of the brand without describing it literally or copying it phonetically."[143] Furthermore, every company trademarking in China not only needs a Chinese character name, "but should also apply the appropriate cultural intelligence to ensure the brand's meaning is not lost in translation."[144] A company would not want to discover too late that its brand did not translate well, as KFC did when they realized that their slogan—"finger lickin' good"—translated literally into Chinese characters meaning "eat your fingers off."[145]

Third, applicants for trademarks are advised to register their marks in many classes, especially since this has been made easier by the new amendment. Registration should not be limited to the precise class of goods or services in which they plan to use a trademark, "in order to allow

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[140] Campbell & Pecht, *supra* note 6, at 79.
[141] *Id.*
[142] LALLEMAND, *supra* note 66, at 6.
[143] *Id.*
[144] *Id.*
[145] *Id.*

room for future expansion and to prevent consumer confusion."[146]

Finally, when all else fails, brand owners who find that their mark has already been registered have three options: pay up, wait it out and file for cancellation for non-use, or fight it out. If a brand owner does decide to challenge the squatter for the mark, "obtaining, preserving, and presenting evidence in the right way is crucial."[147]

VII. CONCLUSION

The new amendment to Chinese Trademark Law will be implemented in 2014, and many are waiting to see whether the new law is a signal that China is serious about protecting intellectual property within its borders. Though these new developments, including the Supreme Court's opinion in December 2011 and the upcoming changes to Chinese Trademark Law, look promising, these changes will likely not be enough to prevent trademark squatters from targeting well-known foreign trademarks. Trademark squatting is able to persist largely due to the inherent complexity of the language as well as a lack of enforcement of existing laws. Thus, in order to effectively combat trademark squatting, China needs to address these underlying causes by lowering the evidentiary standards to become a well-known mark, as well as focusing on strengthening the enforcement of intellectual property rights. Until these changes are made, practitioners and businesses should be aware of the difficulties of protecting trademarks in China, and should take measures to intelligently guard their intellectual property.

China has been taking steps to comply with international standards of intellectual property protection, and should continue to do so, such as by joining the ACTA. But the real thrust towards intellectual property protection will likely come when China develops homegrown intellectual property of its own, which will move China from being reactive to proactive in the protection of intellectual property rights.

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[146] *Id.*

[147] Barraclogh, *supra* note 104.